

# Decentralization of Fiscal Asymmetric for Community Well- Being: Evidence from Aceh Province, Indonesia

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# Decentralization of Fiscal Asymmetric for Community Well-Being: Evidence from Aceh Province, Indonesia

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**Abstract.** This study analyzes the problems that arise in the implementation of fiscal decentralization that has been given by the central government to asymmetrical regions which show a number of successes in various fields in the welfare of society. Asymmetric fiscal decentralization cannot be separated from the policy of implementing financial autonomy by the central government to regional governments, namely to regulate the regional government budget itself according to the potential of their respective regions with outputs and benefits that can show a number of successes in terms of public welfare. The research method used is a conceptual approach with a descriptive interview method, literature study and documentation by collecting asymmetric decentralization budget data that has been issued by the central government whether there is a significant impact on the welfare and economy for the region. The results show that the performance of welfare and economic indicators in asymmetrical decentralization areas during the implementation of asymmetrical fiscal decentralization that has been given has shown improvement, this study concludes that granting fiscal decentralization to asymmetric areas for improving the performance of welfare indicators for local communities cannot be explained, especially its role in encouraging the acceleration of improvement of community welfare in asymmetrical areas.

**Keywords:** *Asymmetric Fiscal Decentralization, Asymmetric Decentralization, Welfare, Economy.*

## INTRODUCTION

Ensuring the use of a government budget that is focused and on target is one of the visions of a country to prosper its people (Kelly, 2015). Transfers to regions are part of the state budget (Qibthiyah Mahi & Riatur, 2014) which must be used with focus and on target (Corbi, Papaioannou, & Surico, 2019). Determination of a good policy platform so that the implementation of the use of transfer funds to these regions is right on target is very crucial (Smyrl, 1997). This is in line with the implementation of asymmetric decentralization policies that have been running in almost all countries (Alonso & Andrews, 2019; Chien, 2010; Gjoni, Wetterberg, & Dunbar, 2010; Neamțu, 2016; Tan, 2019a). Asymmetry here is defined as a policy that provides differences in treatment to certain areas which are technically appropriate to be privileged (Bahl & Martinez-Vazquez, 2013; Tan & Tan, 2019).

Asymmetric decentralization actually does not stop at the transfer of authority (Chien, Congleton, Kyriacou, & Bacaria, 2003; Libman, 2012; Litvack, Ahmad, & Bird, 1998), but has to be followed up by the courage of local governments in making various breakthroughs to advance their regions (Chien, 2010; Chien et al., 2003). The function of the central government in asymmetric decentralization is to provide guidelines for local governments in implementing the asymmetrical decentralization budget (Berdell & Dong, 2011; Garcia-Milà & McGuire, 2007) and the rest of the role for advancing the regions will be more dominant performed by local governments (Berdell & Dong, 2011; Garcia-Milà & McGuire, 2007) because economically, local governments have been given greater autonomous rights with the power and acceptance of asymmetric decentralization budgets and greater administrative flexibility to implement these budgets (Suhardi, Husni, & Cahyowati, 2019).

Asymmetric decentralization in Indonesia will continue to be a serious concern for the study of politics and governance. Indonesia has unique characteristics that make the study of the pattern of central and regional relations always try to find a more ideal format. Various points of view are used to interpret asymmetric decentralization as a necessity to be implemented (Isra, de Villiers, & Arifin, 2019a). There is an administrative approach (Hataley & Leuprecht, 2014; Shah & Thompson, 2004) and there is also a cultural approach (Ahmad & Tanzi, 2003; MCGarry, 2007), besides that there is a political approach

(Garcia-Milà & McGuire, 2007; Requejo, 2001). Answering the demands of financial equity and balance is a must, therefore the government designs a policy by allocating asymmetrical fiscal decentralization funds (Congleton, 2006; Hataley & Leuprecht, 2014). Asymmetric decentralization concerns fundamental functions related to the pattern of central and regional relations involving different designs of authority, institutional, financial and control. At least asymmetric decentralization can be given with consideration of conflicts, history and culture, border areas, national capitals and economic development based on geographic considerations because of the potential to trigger jealousy between regions.

In Indonesia, the asymmetrical decentralization model is in the form of special autonomy, enforced based on laws that have very significant fiscal implications, in the form of allocating additional revenue-sharing funds (DBH) for natural resources and additional infrastructure funds (DTI), which most regions do not have. Fiscal implications accompanied by full discretion in their management should be able to provide fiscal stimulation for the asymmetric decentralized region to increase regional spending in supporting the provision of public services, development of various basic infrastructure, and the provision of public goods and services, especially in the fields of education, health and infrastructure. This is very necessary for catching up with various other provinces and regions in Indonesia as well as in accelerating efforts to improve the welfare of the people, which is the main objective of asymmetric decentralization.

Fiscal decentralization in an asymmetrical framework, according to research, should be able to promote better public prosperity. According to Tiebout (1956), Oates (1972), Tressch (1981), Weingast (1995) and Breton (1996), the most efficient prosperity should be able to be maintained by areas that have the least geographic control. This is not only because the local government is very appreciative and responsive to the needs of its people, but also because local governments are seen as more aware of the characteristics of their respective regions so that regional spending will be more effective in driving economic growth. With various other research arguments, fiscal asymmetric decentralization, according to Martinez-Vazquez and McNab (1997), is an alternative solution which is believed by many to be an effective tool or way in increasing the efficiency of public spending. The efficiency of regional public spending is obtained because the closer the government is to its people, the more efficient it is to respond to community needs, especially in providing and improving the quality of public services.

It is only natural that people's welfare is the goal of every policy that is designed and implemented. Various achievements have been made in focus sectors such as education, health, infrastructure and community economic empowerment (Bardhan, 2002; Congleton, 2006; Podestà, 2017). This proves that the asymmetric decentralization policy is the nation's best determination to change the lagging phase slowly but surely into the welfare dimension (Henders, 2010; Wang & Ma, 2014).

## LITERATURE REVIEW

### Asymmetric Decentralization

The concept of asymmetric decentralization developed from the asymmetric federation concept introduced by Charles Tarlton in 1965 (Tillin, 2007). There are two types of the asymmetric federation, namely de facto asymmetry and de jure asymmetry (Cashaback, 2008; Tillin, 2007). The first type refers to differences between regions in terms of area size, economic potential, culture and language, or differences in autonomy, systems of representation or authority that arise because of differences in these characteristics (Milne, 2005; Swenden, 2002; Von Beyme, 2005; Wang & Ma, 2014). Meanwhile, the second asymmetry is a constitutional product that is consciously designed to achieve certain goals. This relates to the allocation of authority in different amounts, or the granting of autonomy in certain policy areas, to certain regions only (Monti, 2019; Shahid & Gerster, 2019).

According to Salle & van Burg's (2019) argument, asymmetry is defined as the difference in status between units in a federal or decentralized state based on the constitution or other legal provisions. Asymmetric decentralization in the form of special autonomy is a form of decentralization that is tailored to the characteristics of a region in its application to a country. There are several countries in the world that apply this special autonomy status to regions in their countries (Nagel &

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Requejo, 2016; Shahid & Gerster, 2019). An example can be drawn from Canada's experience in managing the privileges of Quebec in its union with the Canadian Federation (Béland & Lecours, 2007; McGarry, 2007), Mindanao in its political union with the Philippines (Eaton, 2001; Shair-Rosenfield, Marks, & Hooghe, 2014; Verbrugge, 2015), Sami Land in union with Norway (Fiva, 2006; Stein, Buck, & Bjørnå, 2019) and China which made an agreement with Britain to establish Hong Kong's status as a special administrative region in 1997 (Henders, 2010).

Theoretically, asymmetric decentralization is actually relatively new in Indonesia, rather than the development of the regional autonomy theory which only prioritizes the transfer of authority from the centre to the regions (Isra, de Villiers, & Arifin, 2019b). Asymmetric decentralization does not only talk about the delegation of authority but also how authority, finance, supervision and institutions are contextually decentralized (Smoke, 2015; Tan, 2019b; Verbrugge, 2015). Other opinions and theories state that asymmetric decentralization is given to regions for several reasons, namely 1) political considerations related to the pressure of certain groups or regions that demand special treatment (Kenny & Verge, 2013). 2) consideration of inter-regional diversity based on ethnicity, religion, or demographics (Verbrugge, 2015) and 3) considerably of governability, which concerns the ability to carry out government functions in the regions (Nasr, 1992).

The implementation of fiscal decentralization and regional autonomy in Indonesia as a political consequence is currently at a point no return condition so that the aspects that are put forward are more of capacity building and quality improvement. Thus, in the future, fiscal decentralization and regional autonomy are expected to be able to bring Indonesia to inclusive and sustainable prosperity. All the efforts and work of the government are of course obliged to get the full support of all parties involved and interested in supporting the successful implementation of fiscal decentralization and autonomy in Indonesia as a whole.

#### **Fiscal Decentralization**

Fiscal decentralization is a consequence of the implementation of regional autonomy (Brodjonegoro & Asanuma, 2000; Duncan, 2007; Smoke & Lewis, 1996), which has the aim of increasing regional potential, especially providing better public services (Sidik, 2007) and creating a retrieval process. more democratic public decisions (Isufaj, 2014; Shon & Cho, 2020). Fiscal decentralization can be viewed as a process of distributing budgets from higher levels of government to lower levels of government, to support government functions or tasks and public services in accordance with the amount of governmental authority delegated (Adam, Delis, & Kammas, 2014; Plaček, Ochraňa, Půček, & Nemeč, 2020; Plaček, Ochraňa, Půček, Nemeč, et al., 2020). The objectives of fiscal decentralization, in general, are 1) to fulfil regional aspirations regarding control over regional financial resources. 2) encourage accountability and transparency of local governments. 3) increase community participation in the regional development process. 4) reduce inequality between regions. 5) guarantee the implementation of minimum public services in each region. 6) to improve the welfare of society in general (Bardhan, 2002; Davoodi & Zou, 1998; Hankla, 2009; Martinez-Vazquez, Lago-Peñas, & Sacchi, 2017b).

To measure fiscal decentralization in an area, there are two common variables that are often used, namely regional expenditure and revenue. Ebel & Yilmaz (2002) state that there are several variations in the selection of indicators to measure decentralization from one country to another. Even though they both use government expenditure and revenue variables, what is the difference is the size variable used by one researcher with another. There are three size variables that are commonly used, namely: population, area and Gross Domestic Product (GDP) (Ebel & Yilmaz, 2002).

To see whether fiscal decentralization is effective or not, it must be related to 3 (three) important components in fiscal decentralization, namely: 1) the existence of autonomy and adequacy in revenue (revenue autonomy and adequacy). 2) there is autonomy in spending (expenditure autonomy) and 3) there are borrowing privileges (Shah & Thompson, 2004). Meanwhile, Bahl & Martinez-Vazquez (2006) argues that using slightly different terms, namely: 1) local government has significant discretion to raise revenue; 2) local governments have significant authority in spending (significant local government expenditure responsibilities), and 3) the ability of the region to borrow (local borrowing ability).

If it is related to the Indonesian context, from the three components above, it seems that the implementation of fiscal decentralization is only significant for autonomy expenditure. This can be seen at least in 2 (two) aspects, namely 1) fiscal

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transfers from the central government to regional governments through balancing funds, particularly DAU and revenue sharing from natural resources and taxes increased significantly. In fact, this increase is expected to continue in line with the implementation of the policy for balancing national and regional finances, due to the existence of several new items in the sharing of natural resources, for example, geothermal mining, the rearrangement of the proportion of SDA revenues and an increase in the minimum limit of the DAU proportion to domestic revenues. national budget from 25% to 26%. 2) A further implication of this situation is that the portion of funds managed by the central government is reduced (the proportion of the balance funds to the APBN PDN reaches a figure above 26%), and vice versa, the portion of funds managed and under the responsibility of regional governments increases significantly (proportion of the balance of funds to the total APBD is around 70% - 80% on average and the total funds managed by local governments have increased by an average of over 200%).

Fiscal asymmetric decentralization positions central and local governments equally important (De Siano & D'Uva, 2017; Martinez-Vazquez, Lago-Peñas, & Sacchi, 2017a). Each of them has contributed to the success of development (Qiao, Ding, & Liu, 2019; Thanh & Canh, 2019). The increase in the number of transfers to the asymmetric decentralized regions in the central government budget as an instrument of fiscal decentralization is evidence of the seriousness of the central government. However, this policy will mean nothing if it is not accompanied by the seriousness and active role of the asymmetric decentralization regions. Fiscal decentralization in an asymmetrical framework is a variant of regional autonomy and decentralization policies that are applied specifically to certain regions, as a solution to the political demands of the people from several regions who want to separate themselves from a country. The main and most fundamental difference between general autonomy and asymmetric decentralization according to Van Houten (2004) lies in the special powers given to local governments to regulate their regions according to the context and aspirations of local communities.

#### **Welfare State**

Prosperity in today's global concept is a condition where a person can meet basic needs, be it the need for food, clothing, shelter, clean drinking water and the opportunity to continue education and have adequate work that can support his quality of life so that he has a status. The social status which leads to the same social status as other fellow citizens (Cibulka & Giljum, 2020; Moon, 2019).

Welfare is one aspect that is quite important to maintain and foster social and economic stability (Bezanson, Bevan, Lysack, & Hammer, 2020), where this condition is also needed to minimize the occurrence of social jealousy in society. So every individual needs prosperous conditions, both prosperous in material terms and in non-material terms so that a harmonious atmosphere can be created in society (Hwang, 2020).

Welfare is a number of satisfaction that a person gets from consuming the income received. However, the level of welfare itself is relative because it depends on the amount of satisfaction obtained from consuming that income (Alderman, Turner, & Tong, 2012; Han & Gao, 2020; Tu Le, 2020). The level of satisfaction related to emotion will affect aspects of individual behaviour to assess satisfaction on other variables such as satisfaction with the quality of life (Currivan, 1999; Fumagalli et al., 2020; Kumar & Nayak, 2015; Tang & Vandenberghe, 2020). Emotional satisfaction scores will also improve individual performance and contribution to their environment (Cavazotte, Moreno, & Hickmann, 2012; Sony & Mekoth, 2016, 2016; Sy, Tram, & O'Hara, 2006)

The welfare state or what is commonly referred to as state welfare is an ideal idea for how a state carries out its duties in order to serve citizens towards a harmonious and prosperous life order (Greener, 2017). Thus, basically the existence of the concept of the welfare state cannot be separated from the developing political-economic system (Towse & Navarrete Hernández, 2020; Weston & Townsend, 2011). Goran Adamson explained that the concept of Welfare State has evolved in modern times. Modernity is defined as the state's ability to empower its people. The role and responsibility of the state becomes so great for its citizens because the state will behave and position itself as a friend to its citizens

Dieye (2020) states that the state must actively strive for prosperity, act fairly that can be felt by all people equally and equally, not for the welfare of certain groups but all the people. The Welfare State is often interpreted differently by each

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person and country (Albano & Barbera, 2010). However, the Welfare State, in general, contains at least 4 (four) meanings, including 1) as a condition of welfare (well-being) and social welfare as a condition for the fulfilment of material and non-material needs. Prosperous conditions occur when human life is safe and happy because the basic needs for nutrition, health, education, shelter, and income can be met and when people are protected from the main risks that threaten their lives (Ellison & Haux, 2020; Johansson & Koch, 2020), 2) as social services, generally includes five forms, namely social security, health services, education, housing and personal social services (Vahabi, Batifoulier, & Da Silva, 2020), 3) as social benefits, social welfare provided to the poor. Because most of the welfare recipients are the poor, disabled, unemployed, this situation creates a negative connotation in the term welfare, such as poverty, laziness, dependence, and so on (Morel, 2020); 4) as a planned process or effort, a process carried out by individuals, social institutions, communities and government agencies to improve the quality of life through the provision of social services and social benefits (Albano & Barbera, 2010).

Welfare State cannot be separated from social policies, which in many countries include government strategies and efforts to improve the welfare of its citizens, especially through social protection which includes social security (both in the form of social assistance and social insurance) as well as a social safety net (Johansson & Koch, 2020).

## METHOD

This research uses interviews, literature review studies, documentation designed to understand one or more aspects related to policy implementation (Wallin & Ahlström, 2006; White & Wang, 1997). The method is carried out by collecting data from institutional publications juxtaposed with various literary sources of experts and legislative documents to then be analyzed into conclusions and recommendations (Andrews & Harlen, 2006; Xiao & Watson, 2019). The literature and documents in question can be in the form of books, journals, institutional reports, laws, clauses, media news, academic texts, policy papers, and other literature related to the focus of research (Rowley & Slack, 2004; Xiao & Watson, 2019). The technique for obtaining data in this research is the literature review method and holding discussions with competent officials/experts and documentation (Haenssger, 2019). Discussions were held involving members of the Regional Representative Council of the Republic of Indonesia, officials from the Ministry of Home Affairs, Ministry of Finance, and the National Development Planning Agency as well as officials from the Provincial Government of Aceh.

The data analysis process in this study begins with a preliminary study of the research object (Lewis, 2019). The next step, deeper data processing is done by processing the results of interviews and the results of research documentation from various field information (DiCicco-Bloom & Crabtree, 2006). After that, check the validity of the data used as study informants and compare the data with various other relevant information (Maxwell & Reybold, 2015). The validity of the data is needed to measure the extent to which the interpretations made by researchers can be trusted (Bernard, 2013). In qualitative research methods, the researcher's interpretation of the data is a major strength. This study uses the data validity technique formulated by Cresswell (1998).

## RESULT AND DISCUSSION

Asymmetric regions that have received transfer funds allocation from the APBN have increased significantly. Since its allocation in 2002 until now, there are 4 provinces that have received asymmetric fiscal decentralization funds, namely Papua Province, West Papua Province, Aceh Province and Special Region of Yogyakarta Province. The total allocated funds received amounted to Rp. 208.4 trillion with an average contribution of 64% of the total revenue of each region (Directorate-General of Regional Fiscal Balance, 2020).

The current implementation of Asymmetric Fiscal Decentralization in Aceh Province has been going on for almost two decades (Lele, 2019). The asymmetric fiscal decentralization fund is a source of regional revenue for the Aceh Provincial Government and district/city governments under the Aceh Provincial Government. The policies issued by the central government give full authority to the Provincial Government in managing special fiscal decentralization and are considered as revenue from the Aceh Provincial Government which is used to finance development programs. Fiscal decentralization fund management is aimed at catching up with regional development by taking into account the balance of development

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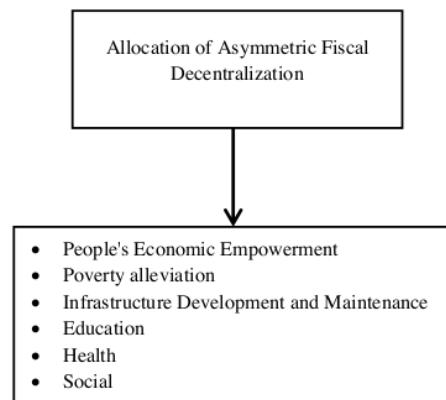
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progress between districts/cities. Although the central government channels fiscal decentralization funds through the provincial government, the fiscal decentralization funds are also district/city revenues

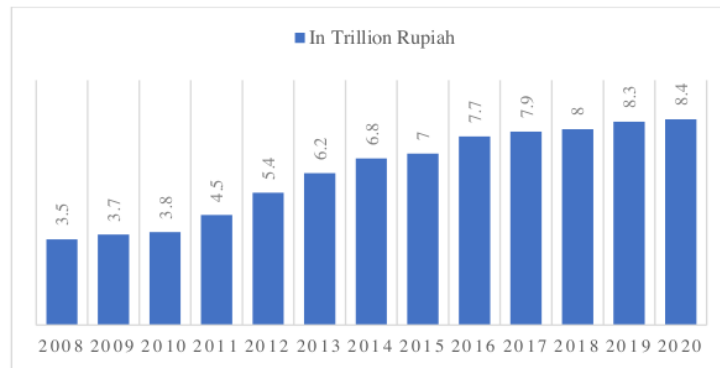
The conflicts that have occurred in Aceh for many years have resulted in high levels of poverty and low quality of education and public health. In addition, the earthquake and tsunami in Aceh that occurred on 26 December 2004 made the economy and social conditions of the Acehnese worse. From this and in accordance with Law Number 11 of 2006 concerning the Government of Aceh (UUPA), the central government provided fiscal decentralization funds to Aceh Province for 20 years, from 2008 to 2027.

One of the goals of the central government to provide fiscal decentralization funds, among others, is for Aceh to rise again due to the downturn during the conflict and the earthquake and tsunami disasters. The law issued by the central government gives full authority to the Aceh Provincial Government in managing the fiscal decentralization fund and is considered as regional revenue to finance development programs by taking into account the balance of development progress between districts/cities. Although the central government channels fiscal decentralization funds through the provincial government, the fiscal decentralization funds also constitute district/city revenues. The use of fiscal decentralization funds as mandated in Law Number 11 of 2006 concerning Aceh Government, namely to finance 6 (six) development sectors, namely the empowerment of the people's economy, poverty alleviation, infrastructure development and maintenance, education, health, and social affairs. The description of the development sector is as follows:



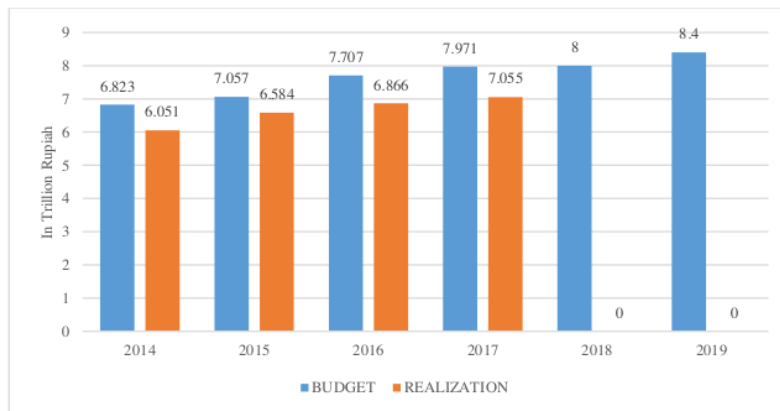
**Figure 1 Allocation of Fiscal Decentralization Funds for Aceh Province**

The management of fiscal decentralization funds is basically carried out with a balance of 60% allocated for Aceh development programs and activities and another 40% allocated for district/city development programs and activities. The fiscal decentralization fund is valid for a period of 20 (twenty) years, with details for the first to the fifteenth year, the amount equivalent to 2% of the National General Allocation Fund (DAU) ceiling and for the sixteenth to the twentieth year. The amount is equivalent to 1% of the National DAU ceiling. Since the first time, the central government disbursed fiscal decentralization funds to the Aceh government in 2008 amounting to Rp. 3.5 trillion and continues to increase every year according to the development of the national DAU. The total fiscal decentralization funds that have been received by the Aceh government until 2018 amounted to Rp. 64,968 trillion, however, the fiscal decentralization funds received by the Aceh Government so far have not been able to demonstrate their existence to encourage the regional economic rate to grow ideally. The fiscal decentralization fund from 2008 to 2018 has increased significantly, but the pace of regional economic growth is progressing slowly. The driving force for economic growth is so weak due to the fact that regional economic growth for the past 8 (eight) years is still below 6.0% on average, far from the target of the 2012-2022 Aceh Province development plan (above 6.0% to 8, 0%).



**Figure 2 The Development of Fiscal Asymmetrical Decentralization Budget in Aceh Province**  
 Source: Directorate General of Fiscal Balance (2020)

The management of Aceh's fiscal decentralization funds basically must be able to become a stimulus for the welfare problems of the Acehnese people as revealed in the research of Agrawal, Hoyt, & Wilson (2020) that the effect of fiscal decentralization must be able to increase economic results, including economic growth. In terms of revenue and financial management, Aceh Province receives a significant additional injection of funds, in terms of equalization funds where Aceh Province receives profit-sharing funds in addition to oil and gas production sharing, provided that the share of oil mining is 55%, and share of natural gas mining by 40%. These funds are then allocated to finance education in Aceh at least 30%, and a maximum of 70% is allocated to finance development programs mutually agreed upon between the Aceh Provincial Government and district/city governments.



**Figure 3 Realization of Fiscal Decentralization Fund Budget Absorption Performance in Aceh Province for the Period of 2014-2019**  
 Source: Directorate General of Fiscal Balance (2020)

The realization of the budget performance of the Aceh fiscal decentralization fund has so far been less than optimal so that every year it creates SiLPA (excess budget calculations) in the APBA. This is due to the slow performance of the Aceh Government and the Aceh Regency / City Government or the budget planning in the APBD that is not in accordance with the activities. The SiLPA is then re-budgeted for the APBA of the following year with the allotment of completing unreached output achievements or increasing output achievements. Even though the SiLPA is budgeted again when viewed from the general principles of state financial management, the implementation of the Aceh fiscal decentralization Fund is categorized as ineffective because the ratio of output to results is not appropriate (program results with predetermined targets).

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The allocation of the use of the Aceh Government's fiscal decentralization funds through both provincial special autonomy and district and city special autonomy allocations has not been able to significantly spur economic growth, this is because, although the allocation of fiscal decentralization funds to the Aceh government is both Aceh special autonomy and district and city special autonomy continues to rise and grow every year does not go hand in hand with economic growth, which occurs even as if economic growth is not affected by changes in budget allocations from spending made by the government. This condition can occur, one of which is the policy taken in the allocation of fiscal decentralization funds to the government budget that is not focused on economic sectors that can spur economic growth in the regions.

Not optimal economic growth has resulted in relatively high poverty and unemployment rates in Aceh and the highest in the island of Sumatra. However, in essence, the Aceh fiscal decentralization fund today plays a major role in reducing the poverty rate in Aceh. A significant decline in numbers was seen at 23.5% in 2008 to 16.8% in 2017. It is the main focus for the Government of Aceh today to be able to overcome poverty in a relatively short time with the end of the fiscal decentralization fund in Aceh. However, there is still inequality in the individual income sector which has not decreased in the last 10 years. The inequality is measured from the Gini Ratio (GR) which sees a decline in urban areas. However, there has been a decrease in inequality between regions.

The condition of the poverty level in Aceh when compared with the national poverty, the poverty rate in Aceh and the districts/cities is much higher. When viewed from poverty alleviation, the number of poor people in Aceh in September 2019 reached 831 thousand (15.32%), a decrease of 8 thousand people compared to the poor population in March 2018 which numbered 839 thousand people (15.97%). This figure also decreased when compared to September of the previous year (15.92%). In general, during the years 2008-2019, poverty in Aceh has decreased by 7.85%.

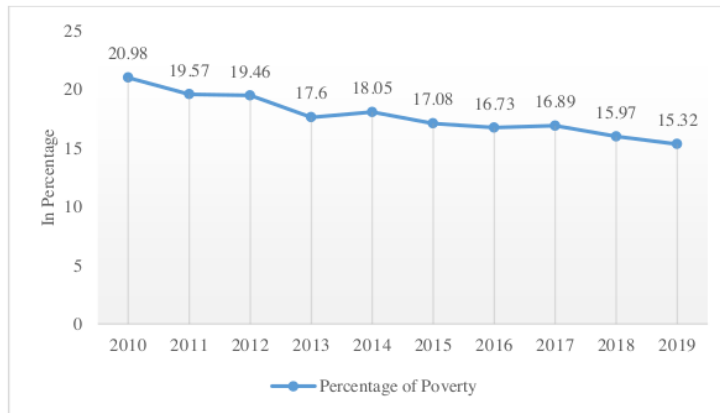


Figure 4 Level of Poor Population in Aceh Province

Source: Statistics of Aceh Province (2020b)

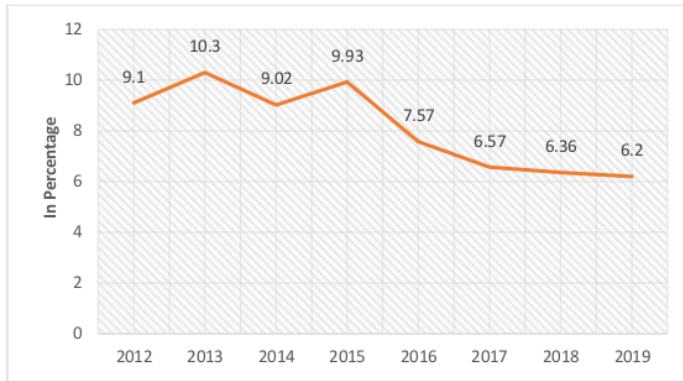
The Open Unemployment Rate (TPT) is an indicator that can describe the general condition of a region's economy, and at the same time provides an overview of people's activities in achieving prosperity. TPT is measured based on the percentage of the workforce that is not working which is influenced by several factors, including the social, cultural and economic conditions, environment, as well as the internal conditions of the workforce itself.

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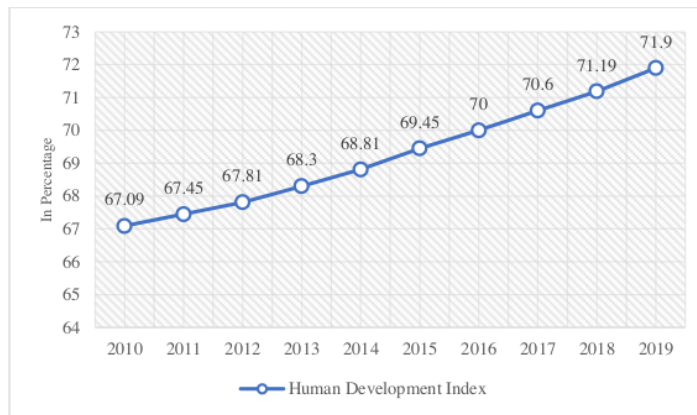
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**Figure 5 Aceh Province Open Unemployment Rate**  
Source: The Central Bureau of Statistics (2020)

The open unemployment rate (TPT) in Aceh in 2018 was 6.36% per cent or 0.21% lower than in 2017 of 6.57 per cent. The 2018 Aceh TPT figure exceeds the target set at 6.85 per cent. The decline in the number of TPT in 2018 was due to an increase in the number of the labor force, and the number of people working so that the increasing number of the labor force could almost be absorbed by the labour market. This means that the increasing number of the labor force is absorbed almost entirely by the labour market so that the number of unemployed people also decreases. The unemployment rate in Aceh per 2019 has decreased. In the research, it is known that the Aceh Central Statistics Agency (BPS) in its latest release stated that the Open Unemployment Rate (TPT) in Aceh this year reached 6.20 per cent, while last year it was 6.38 per cent. This shows that Aceh's employment growth is increasing.

In contrast to poverty and unemployment levels, the Human Development Index (HDI) has experienced significant developments with the increase in the Human Development Index (HDI). Aceh's HDI has increased regularly from 2012 (67.81) to 70.60 in 2017. Based on its ranking, Aceh was ranked 11th out of 34 provinces in Indonesia in 2013. In 2019, the HDI of Aceh Province reached 71.90. This figure increased by 0.71 points compared to 2018 which amounted to 71.19. From 2016 to 2019, human development in Aceh Province has entered a "high" status valued at 70.00 or more. The HDI of Aceh Province in 2019 grew by 1.00 per cent compared to 2018.



**Figure 6 Aceh Province Human Development Index**  
Source: Statistics of Aceh Province (2020a)

## **1** **CONCLUSION**

Based on the results of research and discussion, several conclusions can be drawn that financial management in Aceh Province in order to support the implementation of the asymmetric fiscal decentralization fund has had a positive impact for increasing development aimed at achieving prosperity basically done with a balance of 60% (sixty per cent) allocated for Aceh development programs and activities and 40% (forty per cent) allocated for district/city development programs and activities. The asymmetric fiscal decentralization fund is basically one of the revenue receipts of the Aceh Provincial Government which is intended to finance development, especially infrastructure development and maintenance, empowerment of the people's economy, poverty alleviation, and education, social and health funding. All expenditure items are indicators of welfare for the people of Aceh so that if financial management is right on target, improving welfare will have a positive impact on the people of Aceh. The asymmetrical fiscal decentralization fund management mechanism has been implemented in accordance with applicable regulations. The transfer mechanism shows a significant change, marked by a higher level of completion of activities than the previous mechanism and allows for more diverse and strategic programs/activities according to regional needs. However, it can also result in uncontrolled and not the strategic selection of activities if they are not well planned.

Even though there has been a significant allocation of transfer funds to regions, the condition of the level of welfare of the people in this asymmetrical area is still relatively behind when compared to other regions in Indonesia. The HDI indicators and the per capita income of Aceh Province every year are always below the average HDI and the national income per capita, while the poverty rate is above the national average. In addition, there are also disparities, both in the level of welfare and public services between districts/cities in the Aceh region, as shown by the high Gini ratio, and the large difference in the achievement of performance indicators for education, health, public infrastructure and public services. This condition raises a fundamental question: why is the allocation of transfer funds to regions that are so large and growing rapidly in the framework of Aceh's Asymmetric Fiscal Decentralization not necessarily followed by an increase in public service performance and the level of community welfare.

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